Annuity Funded Life Insurance

MetLife

Tax-deferred investment products, such as tax-deferred annuities, can be an effective way to accumulate wealth. In fact, you may find that you have accumulated more than you need for retirement in these products. If so, you may be planning to leave a portion of these products to your beneficiaries.

Life. your way℠

Taxes can be a major obstacle to achieving your financial objectives. In fact, the combined effect of estate and income taxes can significantly diminish the value of your annuity when it is ultimately transferred to your beneficiaries.

The Annuity Funded Life Approach

The annuity funded life strategy involves the use of existing annuity contracts to fund a life insurance policy. It is a strategy you may want to consider if you wish to pass on your retirement assets to beneficiaries in a more tax-advantaged manner.

The strategy works as follows:

Begin taking payouts from your annuity through annuitization or withdrawals.[1]

- **Annuitization —** allows an annuity owner to receive a payment stream, either for life or a set period of time. The amount and duration of payments will differ with each type of annuity and will be outlined in the annuity contract. Some annuities pay out for the remainder of your lifetime and some pay out for a set number of years—continuing to pay out even beyond your lifetime if you die during the set number of years. Your beneficiaries would then receive the remainder of the payouts.
- **Withdrawals —** are the other option for receiving payouts from the annuity. Your annuity contract will specify the extent to which you can withdraw funds. If you choose this option, your annuity stays intact and can be passed on to beneficiaries, keeping in mind that withdrawals will reduce any death benefit of the policy.

ANNUITIES COUPLED WITH **life insurance** MAY HELP YOU PASS ON **more assets** TO YOUR **beneficiaries.**

If you don't take distributions or partial withdrawals and end up passing the annuity's full value to your beneficiaries at your death, they could be left with an estate tax liability due on the annuity or on the annuity's death benefit.

Use Distributions to Purchase Life Insurance

Once you choose your approach for taking payouts from the annuity, you can use the net payments received to make gifts to an irrevocable life insurance trust (ILIT) or some other third party, such as your children, who own a life insurance policy insuring your life. The owner of the life insurance policy (either the trust or another third party) can then use your gifts to pay annual premiums on a life insurance policy.

[1] Withdrawals of taxable amounts from an annuity are subject to income tax, and withdrawals prior to age 59½ may be subject to a 10% federal penalty tax. Loans or withdrawals will decrease the cash value and death benefit and any living benefit riders.

Using proceeds from an annuity to purchase a life insurance policy may be considered a replacement. Additional paperwork may be required, and in cases where both contracts are issued by MetLife or an affiliate, certain restrictions may apply.

The life insurance death benefit can replace the value of the annuity, provide additional cash for beneficiaries and enhance the legacy you leave to your beneficiaries. Further, if owned properly, the life death benefit may be free of both income and estate taxes.

Advantages of Annuity Funded Life Insurance

- By reducing the value of your annuity contract through annuitization or withdrawals, you can reduce and possibly eliminate, estate and income taxes on the annuity at the time of your death. To remove assets from your estate the assets must be spent, gifted to a third party or gifted to a properly structured Irrevocable Trust. If properly owned, the life insurance death benefit can be paid to your beneficiaries, free of income and estate taxes.
- By taking payments from your annuity, you are creating an income stream that you can use to pay life insurance premiums.

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MetLife Investors USA Insurance Company
MetLife Investors Distribution Company
5 Park Plaza, Suite 1900
Irvine, CA 92614

First MetLife Investors Insurance Company
Metropolitan Life Insurance Company
200 Park Avenue
New York, New York 10166
metlife.com

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